

The background of the slide is a close-up, slightly blurred image of a financial chart on aged, yellowish paper. The chart features a grid of horizontal and vertical lines. A prominent line graph with a series of data points is visible, showing an overall upward trend from the bottom-left towards the top-right. The text is overlaid on the left side of this chart.

Mercer Island Financial Challenges

COMMUNITY ADVISORY SUB-GROUP

Mission Statement

PROVIDE A RECOMMENDATION TO THE CITY MANAGER WHICH PROVIDES THE BEST COURSE OF ACTION GIVEN THE BUDGET ISSUE IN 2019

Members

- Lisa Anderl
- Heather Cartwright
- Doris Cassan
- Robert Harper
- El Jahncke
- Elaine Kavalok

Questions

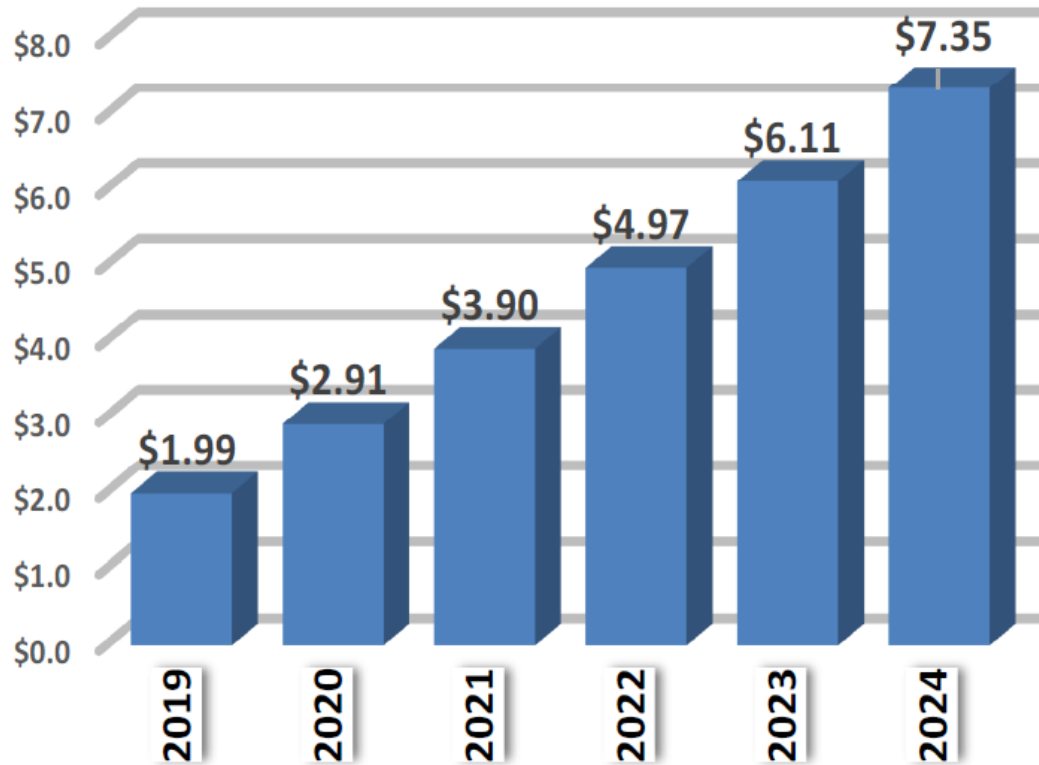
- How is the Problem Defined?
- Do We Pay Enough in Taxes?
- How Does The # FTE's Affect Resident Satisfaction?
- What is the Difference Between Forecast Budgets and Actual Results?
- How Bad is our Current Situation?
- Is it Possible to Make Productivity Improvements?



How The City Defines the Problem

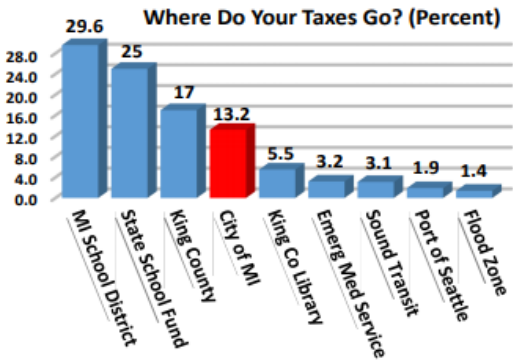
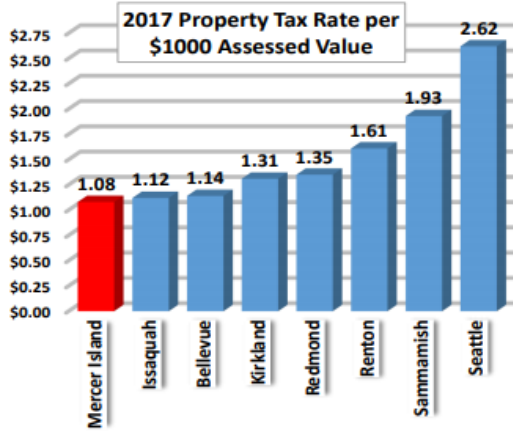
The Problem

**2019-2024 Total
Projected Deficit (\$Million)**

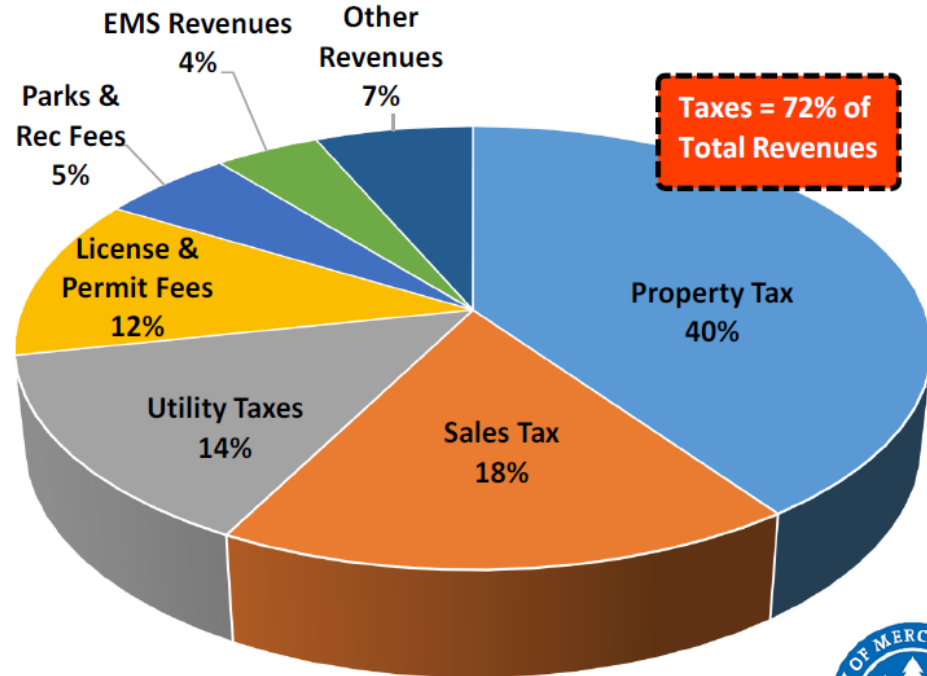


How Do We Compare

HOW DO WE COMPARE?



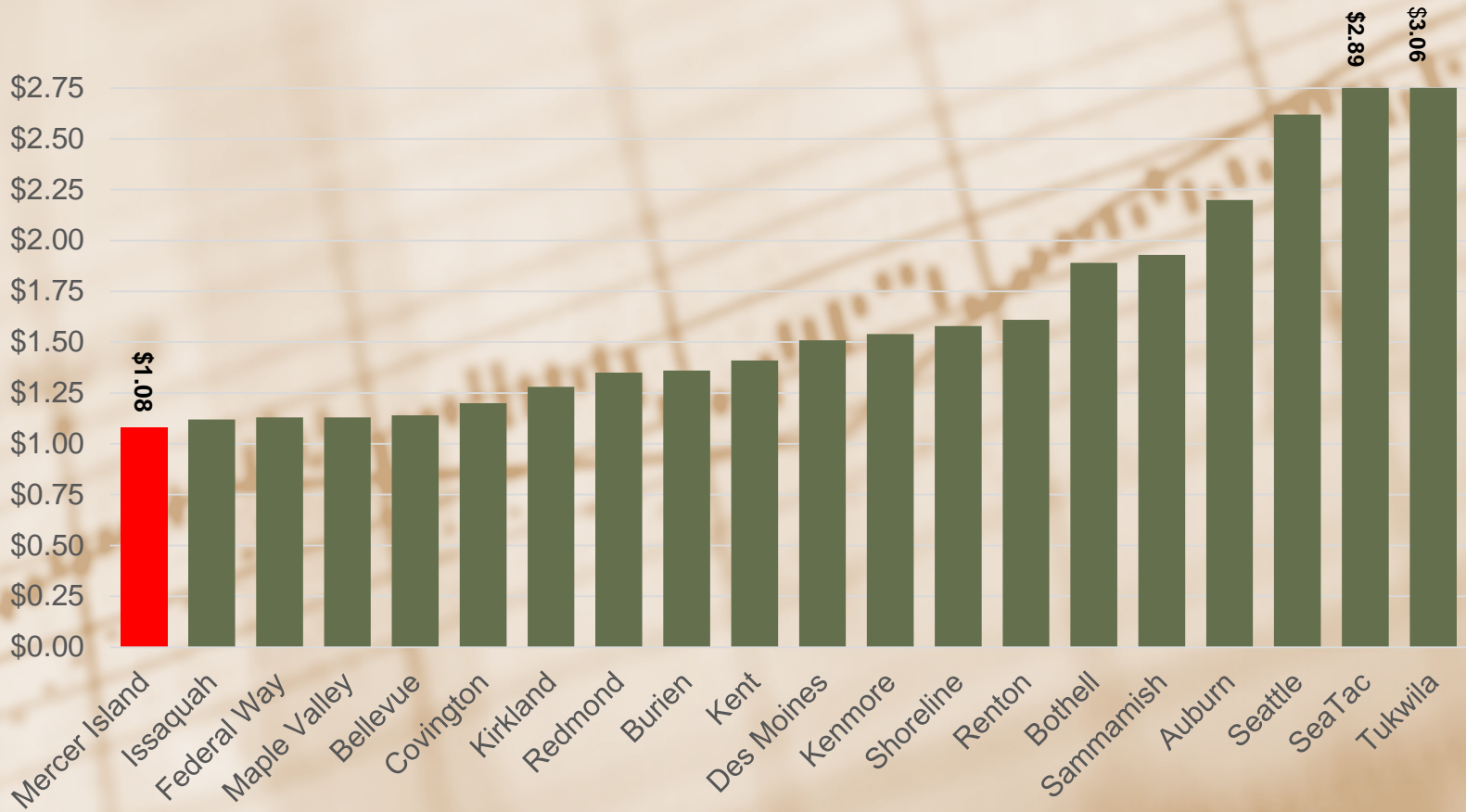
2017 General Fund Budgeted Revenues





Another View Point

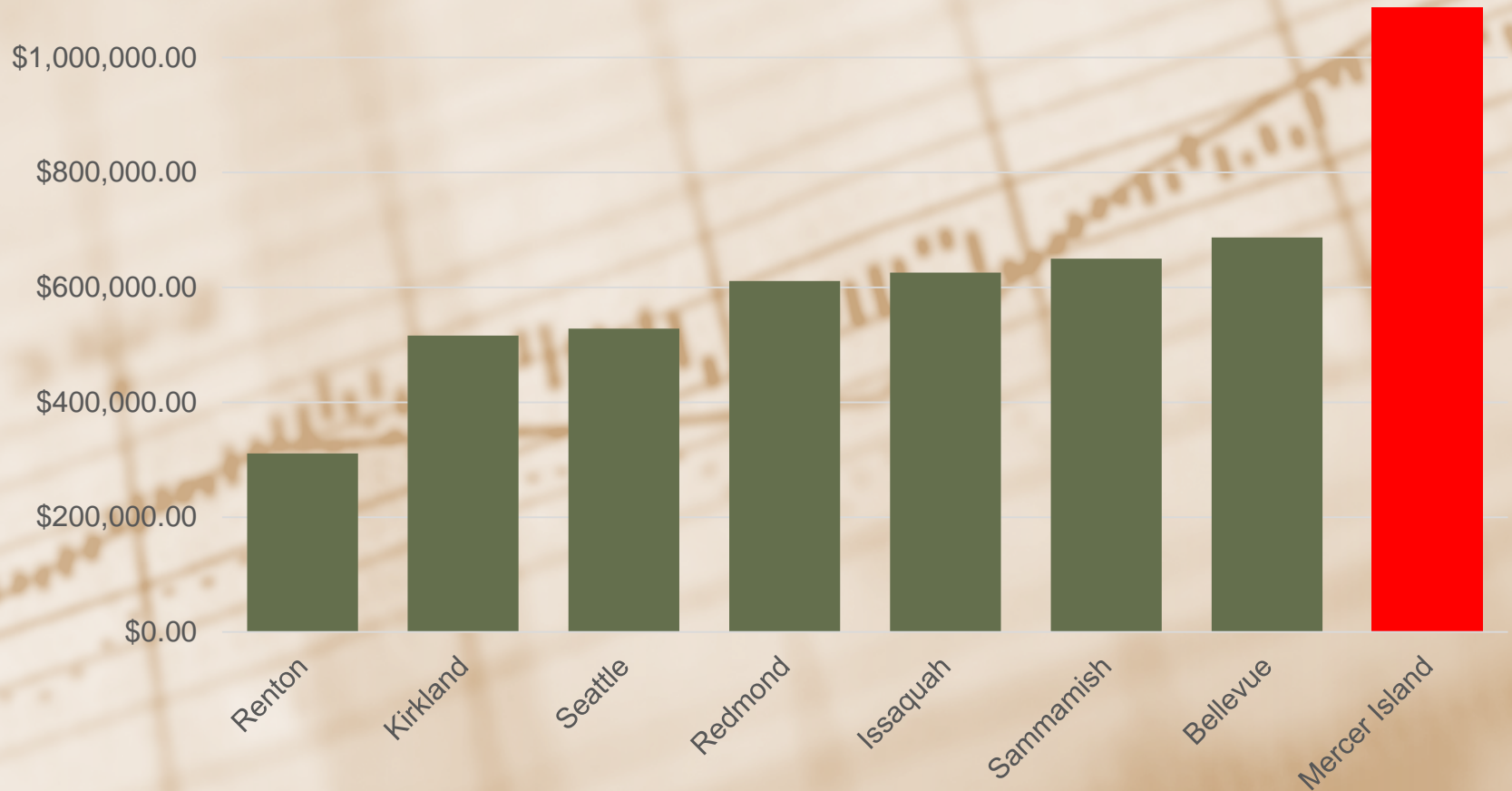
2017 Property Tax Rate per \$1000 Assessed Value





Multiplied By

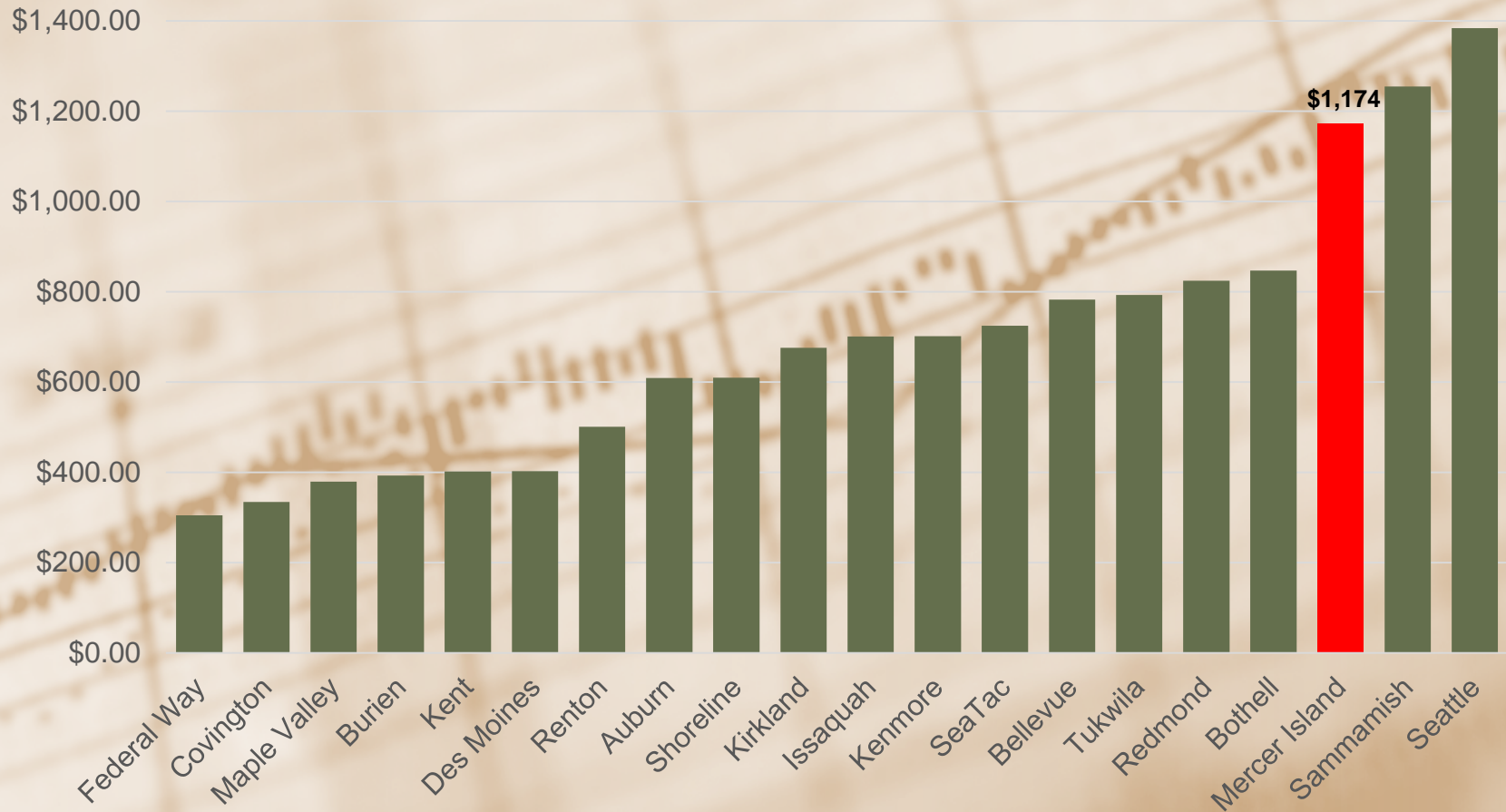
2017 Median Residential Property Value



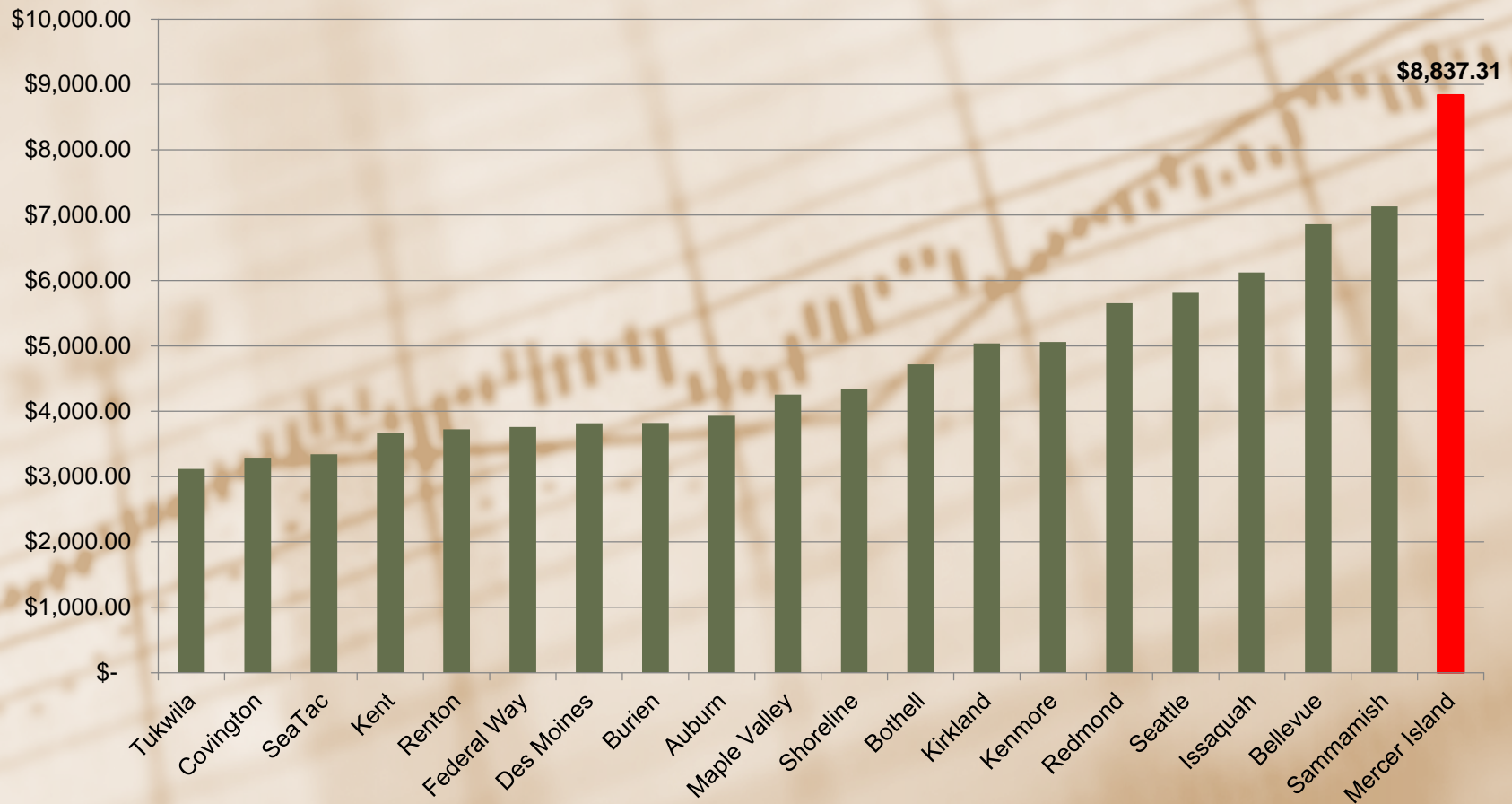


Equals

2017 City Property Tax for Median Residential Value



2017 Total Property Tax for Median Residence Value



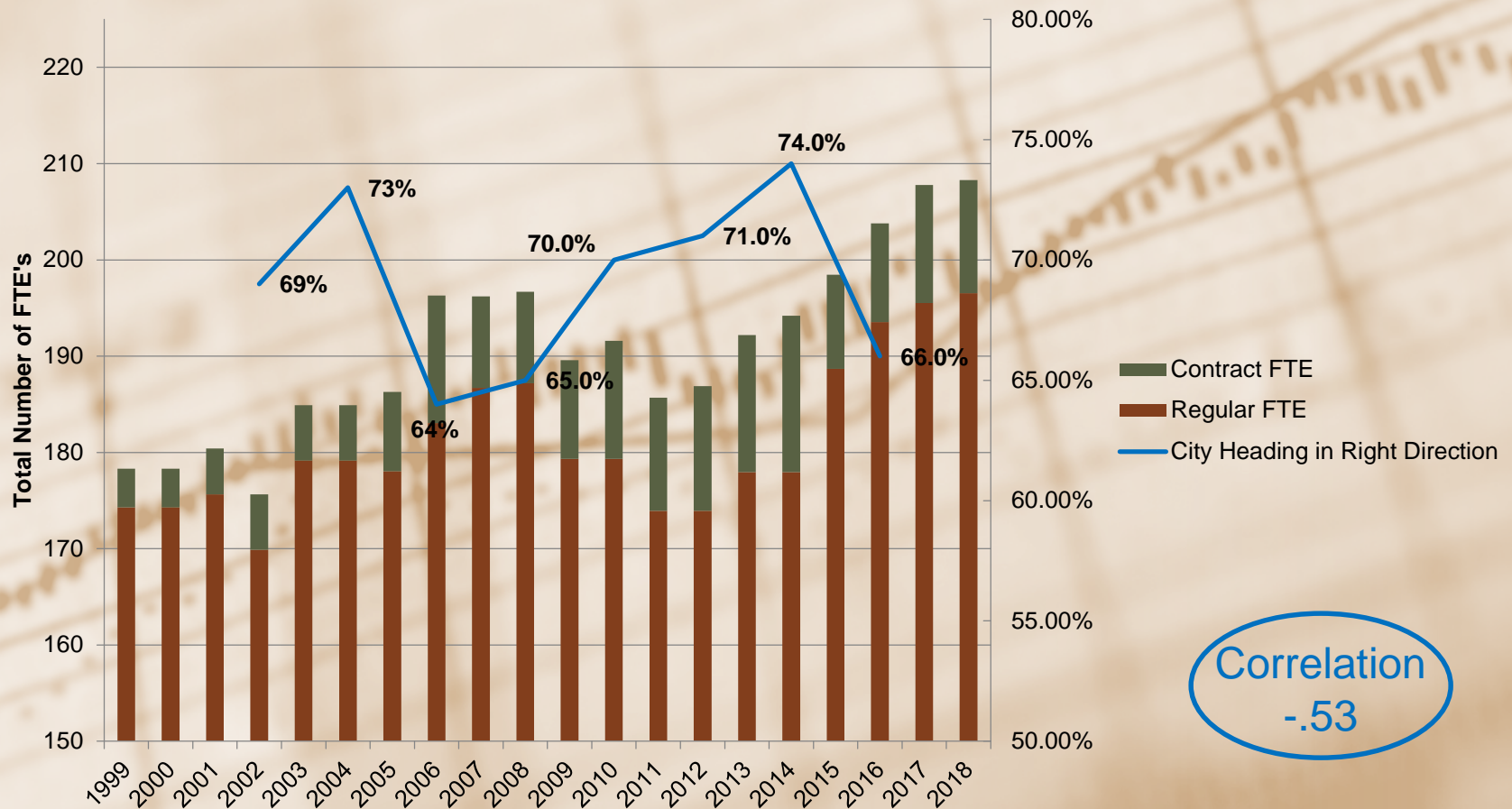
What we Learned

- MI Residents Pay Higher City Property Taxes Than Most Other Cities.



How Does The # FTE's Affect
Resident Satisfaction?

FTE's and "City Headed in Right Direction"



Correlation
-.53

What Happens After 6 years?

- Assuming \$100K Total Package - Wages and Benefits
- Assuming 6% Per Year Increase in Total Package

The \$100,000 is now \$141,852 a 42% Increase without adding any staff and now you need a bigger levy lift.

FTE Vacancy Rate 7%-8%

2018	Forecast
Salaries	\$ 15,737,355
Benefits	\$ 5,868,884
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	\$ 21,606,239
	7%
	\$ 1,512,437

What we Learned

- The Number of FTE's is not Correlated to How Residents Feel About Level of Service.

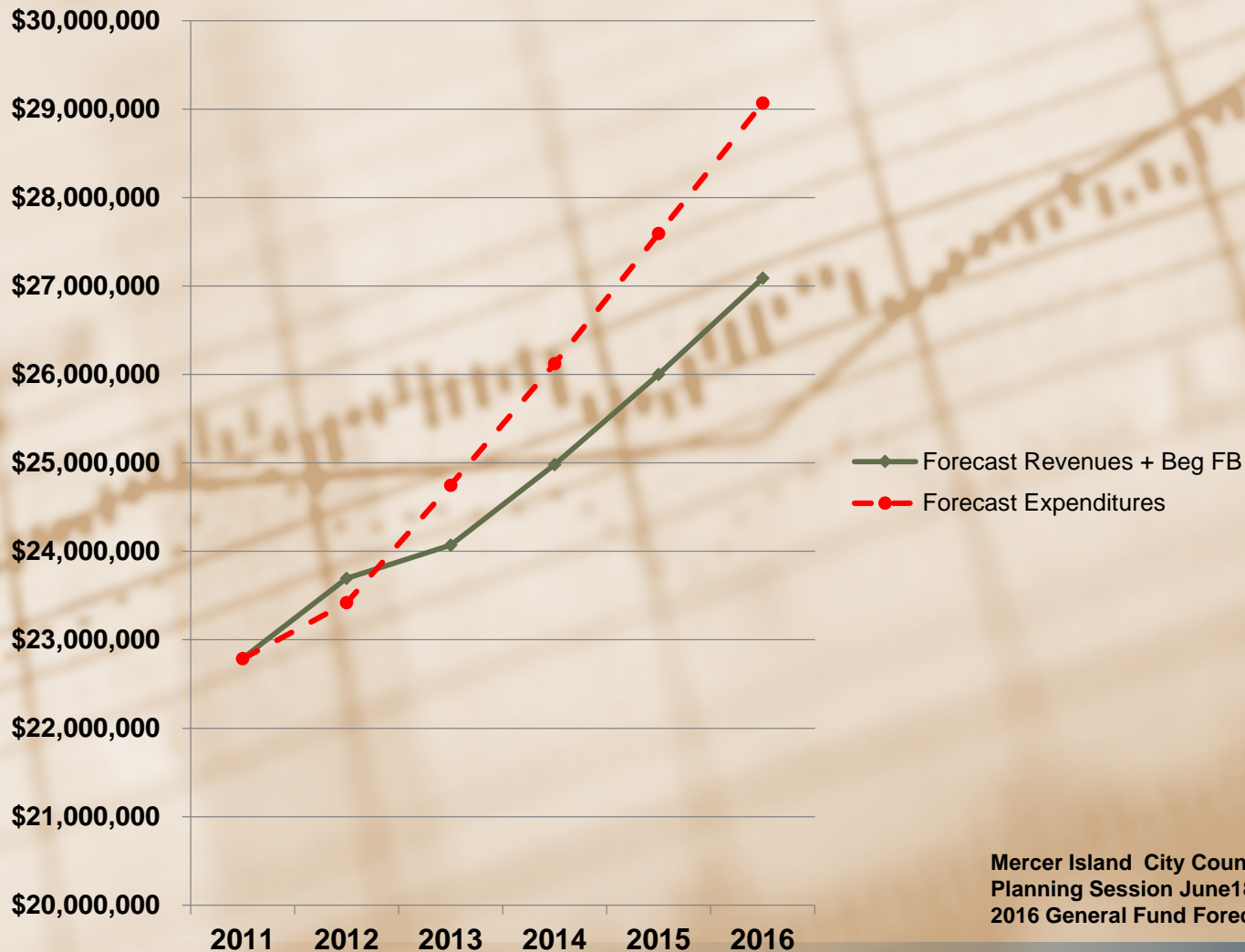


What is the Difference Between
Forecast Budgets and Actual
Results?

Forecasting Factors

- You can't always plan for one time events
- Safer to err on the conservative side for planning
- Given the challenges what is the history?

History of General Fund Forecasting 2011-2016

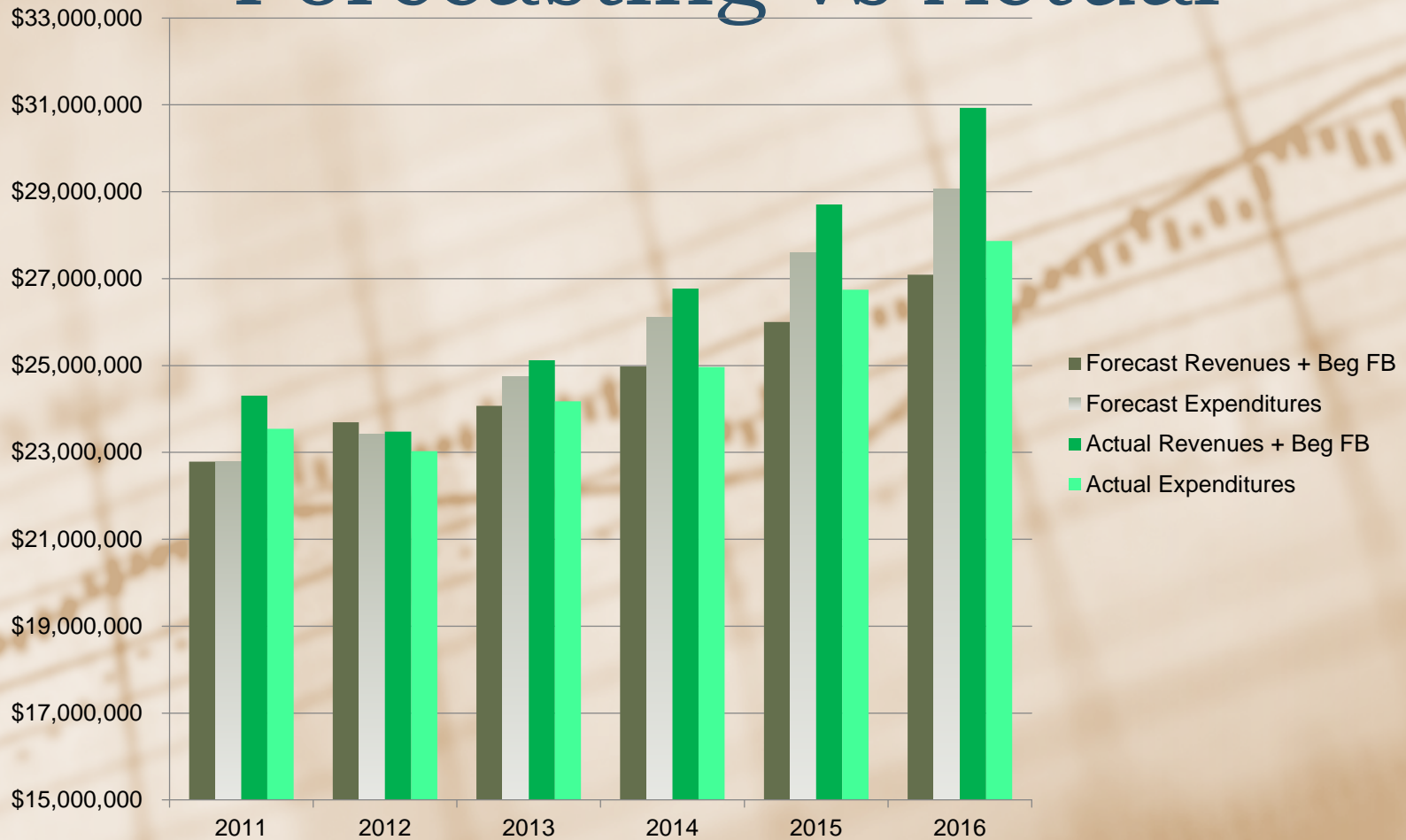


Mercer Island City Council Mini
Planning Session June 18th 2011 2011-
2016 General Fund Forecast

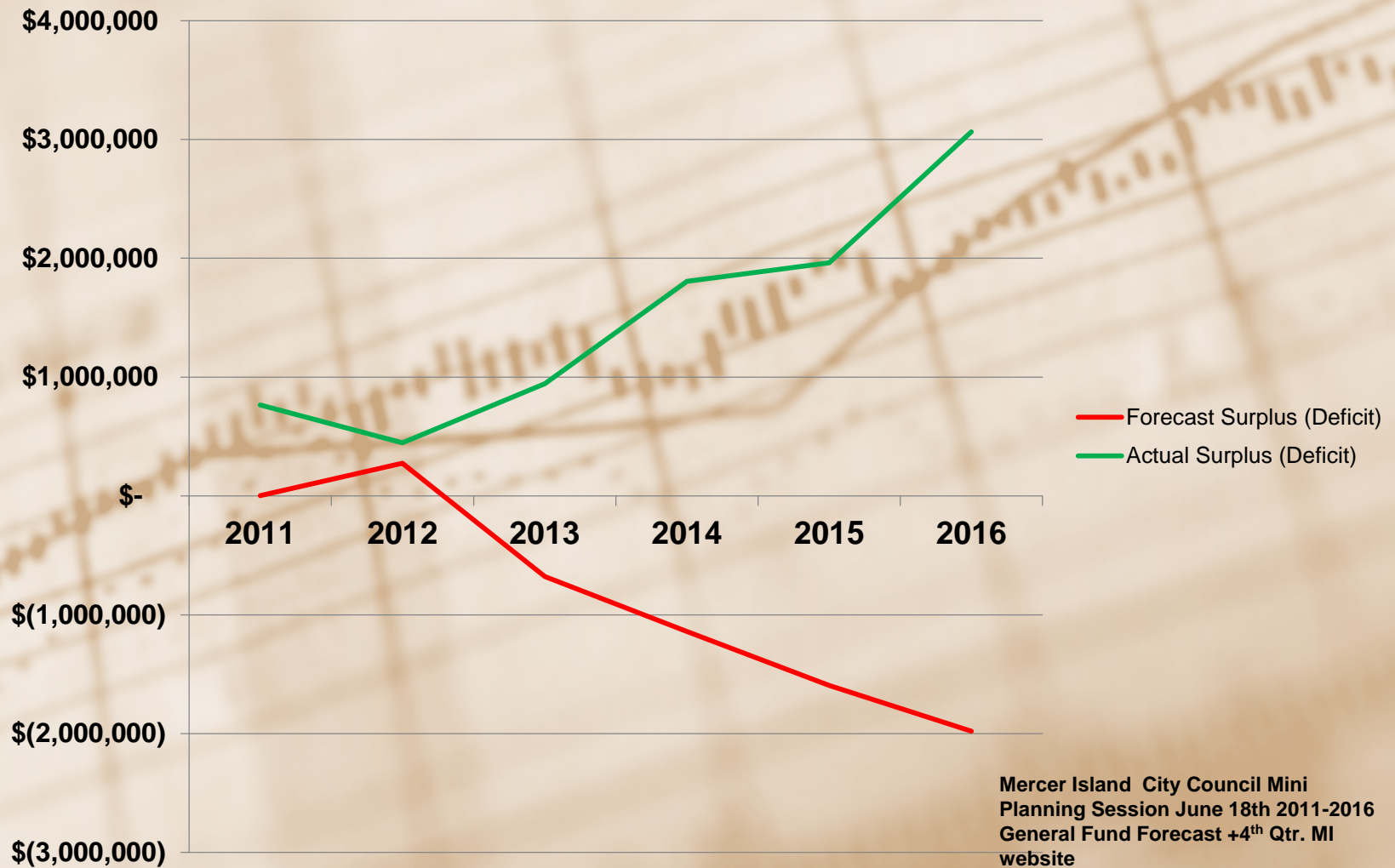
The background of the slide is a blurred image of a historical document. It features a grid of lines and a line graph with data points, suggesting a scientific or mathematical context. The text is centered over this background.

Context from El Jahncke

Forecasting vs Actual



Forecast Surplus/Deficit vs Actual



What we Learned

- Forecasts Have a Pattern of Understating Revenue and Overstating Expenditures

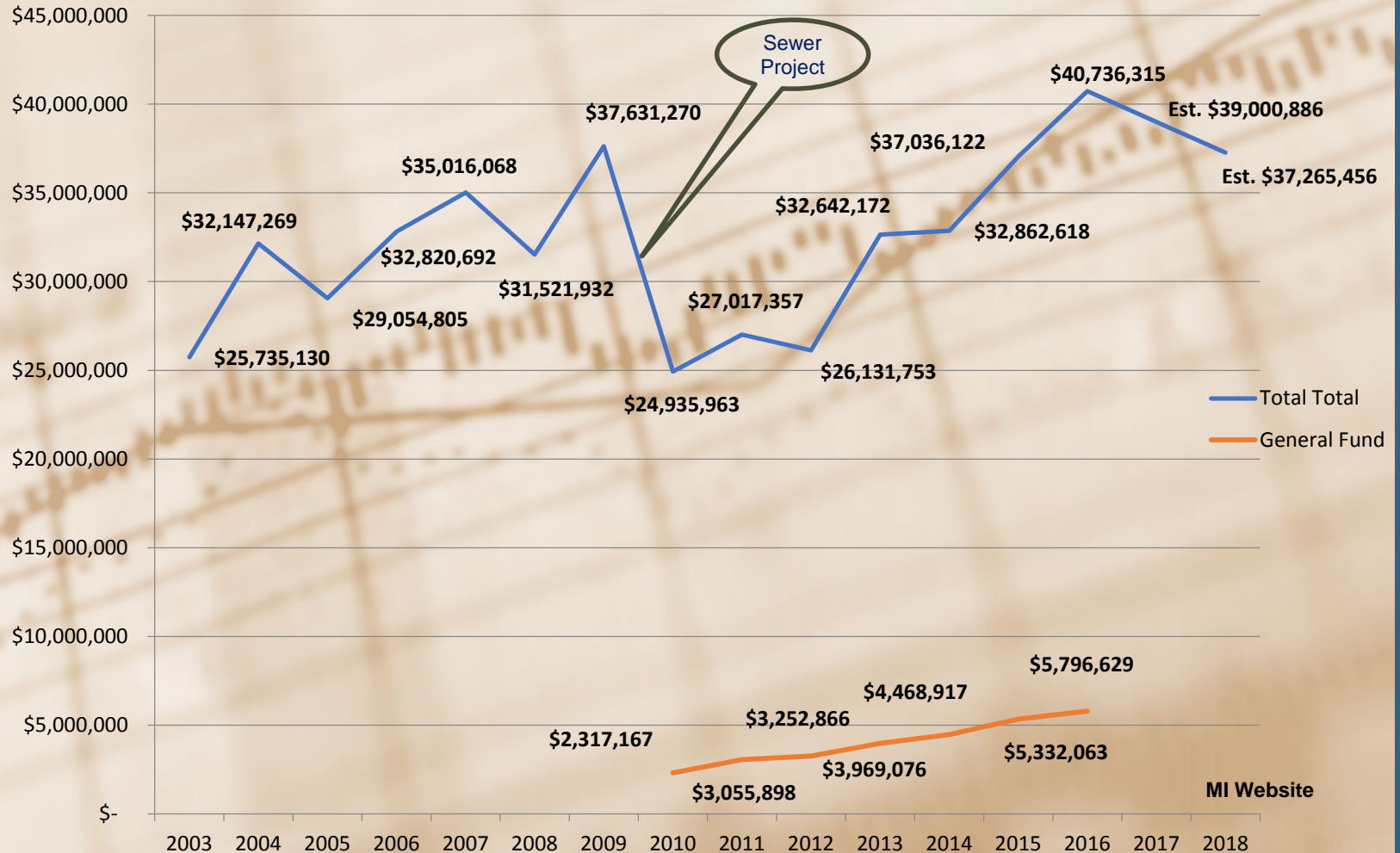


What is Our Current Position?

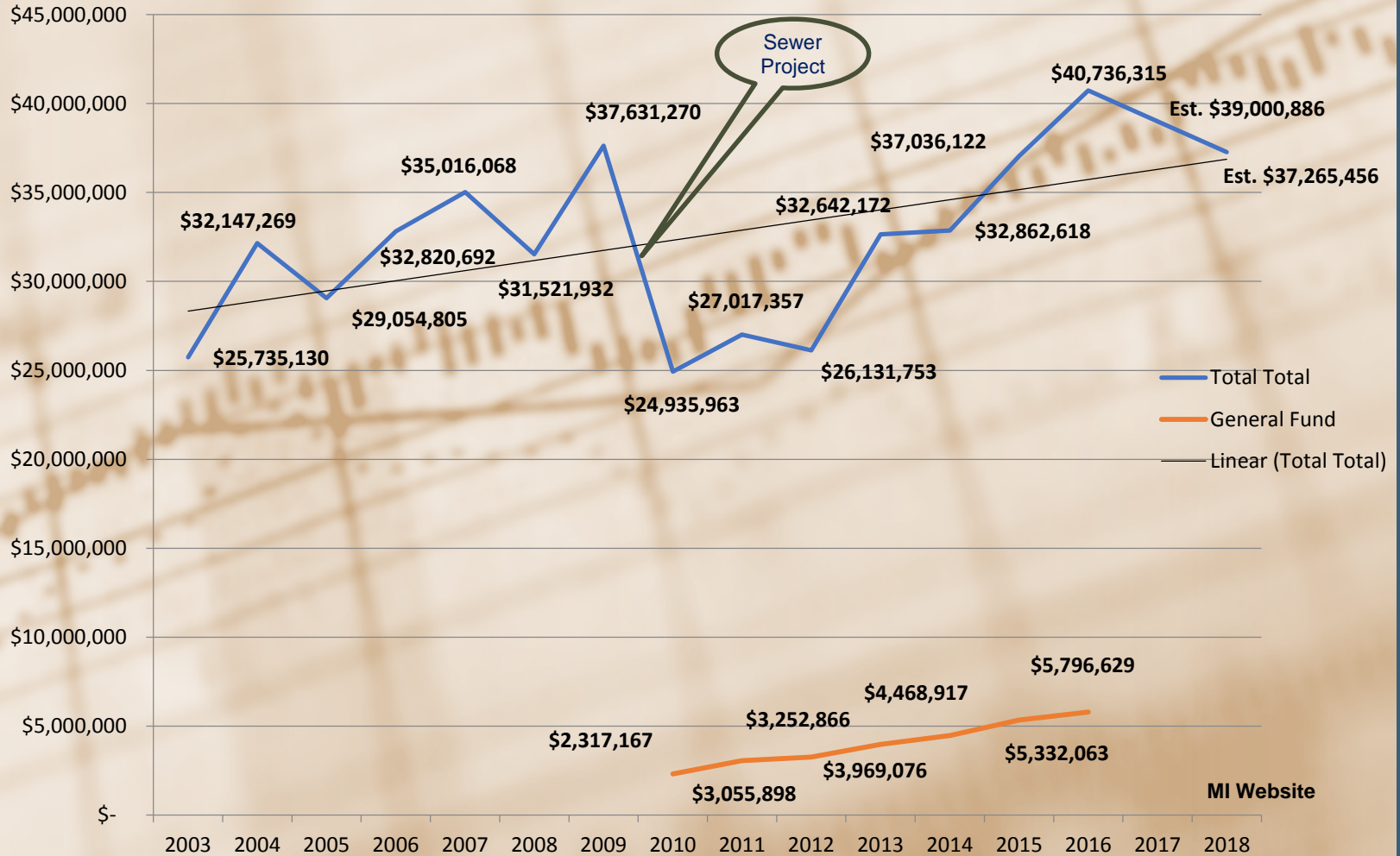
Fund Balances 2016

General Fund	\$	5,796,629
Self Insurance	\$	109,750
Youth services Endow	\$	310,700
Street	\$	3,874,030
Criminal Justice	\$	1,100,614
Beautification	\$	1,108,708
Contingency	\$	2,629,429
Muni arts/1%	\$	178,927
YFS	\$	173,020
Bond Red Non Voted	\$	18,943
Bond Red Voted	\$	5,038
Capital Improvement	\$	4,143,042
Tech and Equipment	\$	656,890
Capital Reserve	\$	169,999
Equipment Rental	\$	3,092,248
Computer Equip	\$	397,184
Firemans Pension	\$	901,717
Water Fund	\$	7,857,529
Sewer fund	\$	4,204,431
Storm water Fund	\$	3,971,292
Fire Station Reserve	\$	36,195
Total	\$	40,736,315

History Balances 2003-2018



History Balances 2003-2018



2018 Budget Fund Balances

General Purpose Funds

General Fund	\$4,235,750
Self-Insurance Claim Reserve	\$109,750
Youth Services Endowment Fund	<u>\$23,642</u>
	\$4,369,142

Ending Balance 2018

Special Revenue Funds

Street Fund	\$1,066,683
Transportation Benefit District	\$17,155
Criminal Justice Fund	\$1,263,429
Beautification Fund	\$1,388,761
Contingency Fund	\$2,563,017
1% for the Arts Fund	\$158,165
Youth & Family Services Fund	<u>\$55,000</u>
	\$6,512,210



Debt Service Funds

Bond Redemption Fund – Voted	\$18,943
Bond Redemption Fund – Non-Voted	<u>\$5,038</u>
	\$23,981

Capital Project Funds

Capital Improvement Fund	\$845,406
Technology & Equipment Fund	\$208,707
Fire Station 92 Construction Fund	\$-
Capital Reserve Fund	<u>\$169,999</u>
	\$1,224,112

Enterprise Funds

Water Fund	\$4,327,512
Sewer Fund	\$4,327,512
Storm Water Fund	<u>\$2,403,382</u>
	\$11,058,406

Internal Service Funds

Equipment Rental Fund	\$2,285,398
Computer Equipment Fund	<u>\$277,721</u>
	\$2,563,119

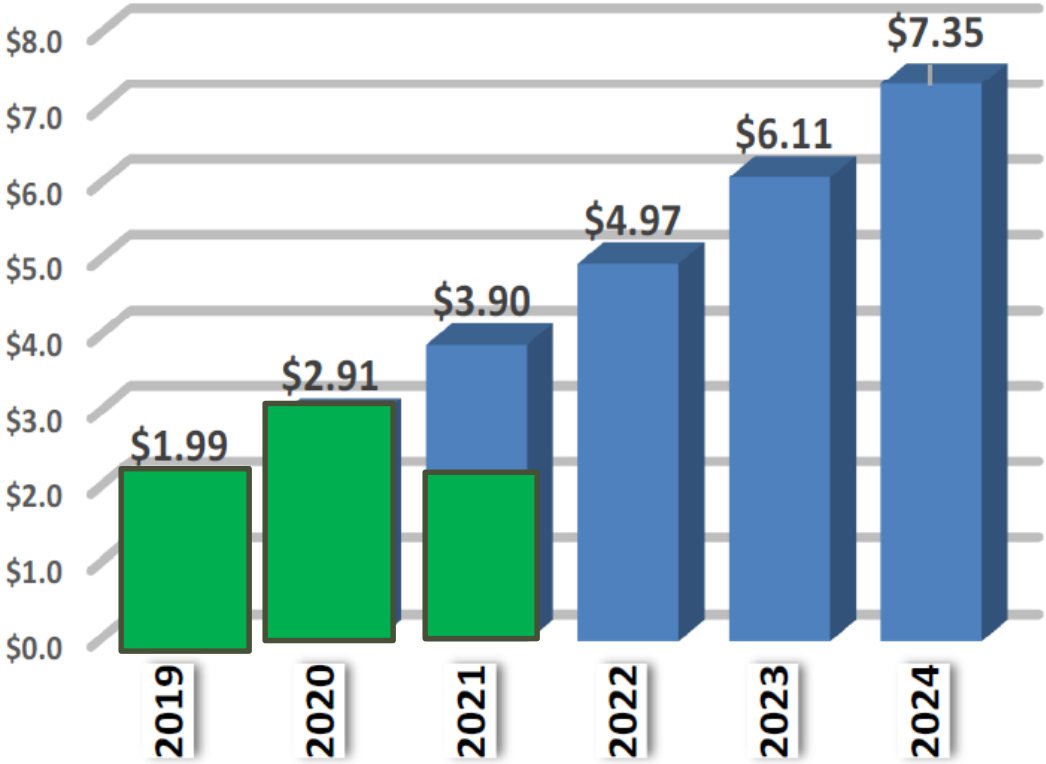
Trust Funds

Firefighter's Pension Fund	\$848,652
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Vacancy	\$1,512,437
Criminal Justice Fund	\$1,263,429
Beautification Fund	\$1,388,761
Contingency Fund	\$2,563,017
Total	\$6,727,644

The Problem

2019-2024 Total
Projected Deficit (\$Million)



What we Learned

- Fund Balances Can Give Us Some Relief



Can the City Improve Productivity/
Efficiency?

In 2005-06 a Cost Reduction Program was Implemented

City Council and City Manager agreed to balance the budget 50%-50% through revenue increases and expenditure reductions

The First Step was to Prioritize the Goals

1. The community will be safe.
2. The community will support effective, efficient and legal delivery of public services.
3. The community will support reliable public infrastructure and protect its considerable public investments (e.g. water, sewer, storm water utilities, streets, parks, buildings).
4. The community will support attractive, high quality neighborhood and business environments.
5. The community will support a broad range of recreational, cultural, health and educational opportunities
6. The community will support open and informed public involvement processes within the structure of representative, democratic decision making.

Second Step Develop a Budget

Having created an exhaustive inventory of the City's services and organized them according to City Council approved priorities, City staff have been able to approach the 2005-2006 biennial budget with a clearer understanding of how to develop expenditure and revenue proposals.

Example of Actions Taken

- Outsourcing and Insourcing
- Alternative Suppliers
- Reduced Supplies / Equipment
- Reduced / Eliminated Services
- Reduced Travel and Training
- Reduced Overtime

Results

- Total Budget Reduction of \$1,046,680
- 5.5% of 2005-2006 budgets

What we Learned

- Efficiency/Productivity improvement efforts worked in the past

Summary of What We Learned

- MI Residents Pay Higher City Property Taxes Than Most Other Cities.
- The Number of FTE's is not Correlated to How Residents Feel About Level of Service.
- Forecasts Have a Pattern of Understating Revenue and Overstating Expenditures
- Fund Balances Can Give Us Some Relief
- Efficiency/Productivity improvement efforts worked in the past

Conclusion

- At the appropriate time our sub-group would like to present the CAG a recommendation to be voted on.
- If any of you would like to join our sub-group and participate in the formation of that recommendation let any of us know

Members

- Lisa Anderl
- Heather Cartwright
- Doris Cassan
- Robert Harper
- El Jahncke
- Elaine Kavalok